

Message Text

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PAGE 01 VIENNA 00153 101634Z

ACTION EB-07

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FM AMEMBASSY VIENNA

TO SECSTATE WASHDC PRIOTRITY 0453

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E.O. 11652: N/A

TAGS: ETRD, GATT, AU

SUBJECT: AUSTRIAN REQUEST FOR SPECIALTY STEEL QUOTA: EMBASSY
COMMENTS

REF: VIENNA 0144

1. IN OUR VIEW THE GOA DECISION TO TAKE ARTICLE XXIII ACTION IS NO IDLE THREAT. IF EARLIER AUSTRIAN BLEAT ON SPECIALTY STEEL HAVE SEEMED WEAK, WE ATTRIBUTE THAT TO A GOA FEELING THAT ITS AMERICAN FRIEND AND BENEFACITOR NEEDED NO GOADING: A SIMPLE STATEMENT OF THE SITUATION WOULD SUFFICE TO OBTAIN RELIEF. THAT HAS NOT BEEN THE CASE, HOWEVER, AND THE AUSTRIAN PREDICTIONS OF INCREASING DIFFICULTIES HAVE COME TRUE. REGARDLESS OF WHAT BENCHMARK ONE ACCEPTS, AUSTRIAN SHIPMENTS HAVE FALLEN BEHIND, THE PRODUCER IS HAVING DIFFICULTY WITH TRADITIONAL US COUSTOMERS, AND ALSO IS HAVING A HARD TIME DOMESTICALLY.

2. EMBASSY HOPES WE CAN AVOID WHAT WE BELIEVE WOULD BE AUSTRIA'S FIRST ARTICLE XXIII ACTION AGAINST THE US. THE DECISION TO MOVE, HOWEVER, SEEMS FIRM. IT WAS AGREED TO BY AN INTER-MINISTERIAL GROUP AND APPROVED BY THE TRADE MINISTER, WHO IS RESPONSIBLE IN SUCH CASES. THE INSTRUCTION TO THE WASHINGTON EMBASSY SEEMS FIRM. IN
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PAGE 02 VIENNA 00153 101634Z

RECEIVING WORD OF THE GOA DECISION, WE RAISED VARIOUS CONSIDERATIONS INCLUDING THE PROBABLE DIFFICULTY IN GETTING A RESPONSE DURING A TRANSITION MONTH. WE WERE INFORMED THAT THIS FACTOR HAD BEEN RAISED AT THE INTER-MINISTERIAL MEETING, BUT SUGGESTIONS FOR A FURTHER DELAY WERE REJECTED BECAUSE AUSTRIA ALREADY HAD WAITED MANY MONTHS ONLY TO SEE ITS PREDICTIONS CONFIRMED AND ITS EXPORT POSITION

DETERIORATE. WE ESTIMATE THE AUSTRIAN TIME LIMITE FOR US RESPONSE AT 10 DAYS BEFORE THE FEBRUARY GATT COUNCIL MEETING (I.E. THE MINIMUM TIME NEEDED TO NOIFY AN AGENDA ITEM). HOWEVER, THE INSTRUCTION TO WASHINGTON ALSO DESCRIBES THIS PERIOD AS THE TIME REQUIRED BY THE US AUTHORITIES TO TAKE THE ADMINISTRATIVE STEPS NECESSARY TO ESTABLISH A SEPARATE COUNTRY QUOTA.

3. ALTHOUGH THE CHANCES OF AVOIDING ARTICLE XXIII PARAGRAPH 2 ACTION SEEM SLIM, WE WOULD URGE THAT AN EFFORT BE MADE IN WASHINGTON AND VIENNA TO HEAD IT OFF, OR AT LEAST TO BUY MORE TIME, PROVIDING ADDITIONAL TIME WOULD BE USEFUL IN REACHING A SETTLEMENT. IF, HOWEVER, THE USG IS UNWILLING TO MAKE ANY ACCOMMODATION TO THE AUSTRIAN REQUESTS, THEN IT WOULD BE COUNTERPRODUCTIVE TO TRY TO GET THE GOA TO POSTPONE ITS PLANNED ACTION. LACKING CURRENT IMPORT INFORMATION, IT IS IMPOSSIBLE TO KNW WHAT, IF ANY, FLEXIBILITY MIGHT EXIST IN THE US POSITION. HOWEVER, THE LAST REPORT RECEIVED (STATE 293096) SHOWED IMPORTS UNDER TSUS 923.26 COUNTRY QUOTAS RUNNING WELL BEHIND THE PRORATED SHARES.

4. IN OUR VIEW THE PRINCIPAL GOA CONCERN IS TO ESTABLISH A POSITION THAT IS POLITICALLY DEFENSIBLE DOMESTICALLY. THE US QUOTA AND SPONGY EMPLOYMENT SITUATION IN THE AUSTRIAN STEEL INDUSTRY HAVE ATTRACTED INCREASING PUBLIC ATTENTION LATELY, AND NO MINISTER IN A GOVERNMENT COMMITTED TO FULL EMPLOYMENT CAN AFFORD TO BE CAUGHT WITHOUT HAVING EXERCISED ALL AVAILABLE MEASURES FOR RELIEF. IF THE USG WERE TO ASSURE THE GOA THAT IT WOULD BE GIVEN A COUNTRY QUOTA-- ON THE SAME BASIS AS OTHER SUPPLIERS--IN THE NEXT QUOTA YEAR (ASSUMING LIMITED OFFICIAL USE

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PAGE 03 VIENNA 00153 101634Z

OF COURSE THAT THE RESTRAINT PROGRAM IS CONTINUED), AND IF THE 360 TONS PRESENTLY AWAITING ENTRY COULD BE ADMITTED (GIVING AUSTRIA A DE FACTO QUOTA OF ROUGHLY 2370 TONS FOR THIS YEAR), THIS MIGHT PROVIDE THE BASIS FOR SETTLEMENT. THE 2370 TONS, IN FACT, WOULD B CLOSE TO AUSTRIA'S TRADITIONAL 11.4 PERCENT MARKET SHARE WITH

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OUT THE GROWTH FACTOR WHICH WE THINK THEY HAVE CONFUSED WITH THE ADJUSTMENT TO BE MADE IN THE 2ND AND THRID QUOTA YEARS. WE NOTE THAT THE GOA HAS INDICATED ITS WILLINGNESS TO REACH AN UNDERSTANDING IN A CONFIDENTIAL EXCHANGE OF NOTES IF THIS WOULD FACILITATE THE PROCESS. WE SEE LITTLE ADVANTAGE IN THIS, BUT OUR FEELINGS ARE NOT STRONG.

5. IN THE CONCLUDING PARAGRAPHS OF VIENNA'S 8989, WE EXPRESSED THE REASONS--BOTH SPECIFIC AND GENERAL, DEMONSTRATED AND ANTICIPATED-- WHY WE BELIEVED A POSITIVE RESPONSE TO THE GOA QUOTA REQUEST WAS CALLED FOR. SUBSEQUENT DEVELOPMENTS BEAR THIS OUT AND STRENGTHEN THE CASE. IN CONTRAST, THE COUNTER ARGUMENTS WHICH RESULTED IN

AUSTRIA'S INCLUSION IN THE BASKET QUOTA, AND WHICH ARE SPELLED OUT IN AMB. DENT'S LETTER TO SECRETARY KISSINGER OF JULY 9, AND TO CARGILL, MASTERMAN AND CAHILL OF JULY 2, 1976, HAVE NOT BEEN SUBSTANTIATED. IN EACH ROUND WITH GOA REPS THEY HAVE BEEN TOLD THAT A COUNTRY QUOTA WOULD BE JUSTIFIED WHEN IT IS "NECESSARY OR APPROPRIATE TO ASSURE EQUITABLE TREATMENT". IT IS NOW NECESSARY AND APPROPRIATE.

6. IN FUTURE DISCUSSIONS WITHE GOA WE FEEL IT WOULD BE HELPFUL TO MAKE A PARALLEL EFFORT IN WASHINGTON AND VIENNA. IN PARTICULAR WE THINK IT WOULD BE USEFUL TO INVOLVE AMBASSADOR (TO THE US) DESIGNATE SCHOBER WHO AS UNDER SECRETARY FOR ECONOMIC AFFAIRS IS FAMILIAR WITH THE CASE, AND AS AUSTRIA'S FUTURE REPRESENTATIVE IN WASHINGTON SHOULD BE ANXIOUS TO ARRIVE ON A TRANQUIL SCENE. BUCHANAN

NOTE BY OC/T: REFERENCE NOT RECEIVED AT THIS TIME.
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PAGE 04 VIENNA 00153 101634Z

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